



FISCAL MEMORANDUM

HB 125 - SB 469

March 9, 2023

SUMMARY OF BILL AS AMENDED (004489): Exempts the retail sale of certain trailers that are removed for registration and use in another state within three calendar days of purchase from the sales and use tax. Clarifies that use of trailer within the state subject subsequent to purchase, but prior to removal from the state, does not constitute a use subject to tax.

ESTIMATED FISCAL IMPACT OF BILL AS AMENDED:

Decrease State Revenue – Exceeds \$35,900/FY23-24 and Subsequent Years

Decrease Local Revenue – Exceeds \$4,300/FY23-24 and Subsequent Years

Assumptions for the bill as amended:

- The proposed legislation only applies to “trailers” specifically as defined by Tenn. Code Ann. § 55-1-105(e) and does not include “manufactured homes”, “mobile home or house trailers”, “pole trailers”, or “semitrailers”.
- Trailers come in a wide variety of models and sizes, with prices ranging from \$1,000 to over \$50,000 based on the brand, features, amenities, if it is used or new, etc.
- The annual average number of trailers purchased and removed for registration and use in another state within three calendar days of purchase and the average prices on those trailers are unknown.
- For the purposes of this analysis, it is assumed that taxable sales for trailers that are removed for registration and use in another state within three calendar days of purchase are reasonably estimated to exceed \$500,000 per year in Tennessee.
- The Tennessee single article tax on the price of goods over \$1,600 and below \$3,200 is effectively \$44 $[(\$3,200 - \$1,600) \times 2.75\% \text{ single article tax}]$. For the purposes of this analysis, it is assumed that approximately 50 trailers would be subject to the full \$44 single article tax under current law.
- The recurring decrease in state sales tax revenue is estimated to be an amount exceeding \$35,934 $[(\$500,000 \times 7\%) - (\$500,000 \times 7\% \times 3.617\%) + (50 \times \$44)]$ in FY23-24 and subsequent years.
- Pursuant to Tenn. Code Ann. § 67-6-702(a), the local option sales tax only applies to the first \$1,600 of the sales price, making the effective local option sales tax cap \$40 $(\$1,600 \times 2.5\%)$.

- It is assumed that all of the aforementioned 50 transactions will exceed \$1,600; therefore, a recurring decrease in local sales tax revenue is estimated to be an amount exceeding \$3,266 $[(50 \times \$40) + (\$500,000 \times 7\% \times 3.617\%)]$ in FY23-24 and subsequent years, and an additional decrease in local revenue for trailers priced under \$1,600 estimated to exceed \$1,000, for a total recurring decrease in local revenue estimated to exceed \$4,266 $(\$3,266 + \$1,000)$.
- It is reasonably assumed that any tax savings realized by consumers will be predominantly spent in the home state of the consumer; therefore, any corresponding increase in state revenue is estimated to be not significant.
- The recurring decrease in state revenue as a result of the proposed legislation is estimated to be an amount exceeding \$35,934 in FY23-24 and subsequent years.
- The recurring decrease in local revenue as a result of the proposed legislation is estimated to be an amount exceeding \$4,266 in FY23-24 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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